



**INNO-TECH
HOLDINGS LIMITED**
匯創控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 8202)

09/10

Interim Report

* For identification purposes only



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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors of Inno-Tech Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to Inno-Tech Holdings Limited (the “Company”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and that the contents are not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Wong Yuen Yee (*Chairman*)

Mr. Wong Yao Wing, Robert
(*Deputy Chairman*)

Mr. Wong Kwok Sing

Mr. Lam Shiu San

Mr. Wong Tak Leung, Charles*

Mr. Lai Ying Sum*

Mr. Cheng King Hung*

* *Independent non-executive Directors*

COMPLIANCE OFFICER

Mr. Wong Yao Wing, Robert

AUTHORISED REPRESENTATIVES

Mr. Wong Yao Wing, Robert

Ms. Wong Yuen Yee

COMPANY SECRETARY

Mr. Li Kar Fai, Peter, *CPA*

AUDIT COMMITTEE MEMBERS

Mr. Wong Tak Leung, Charles

(*Chairman of audit committee*)

Mr. Lai Ying Sum

Mr. Cheng King Hung

AUDITOR

PCP CPA Limited

LEGAL ADVISERS TO THE COMPANY

Troutman Sanders (*as to Hong Kong Laws*)

PRINCIPAL BANKERS

Wing Lung Bank Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 903

Tung Wai Commercial Building

109-111 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

COMPANY WEBSITE

<http://www.it-holdings.com>

GEM STOCK CODE

8202



HIGHLIGHTS

- Revenue for the six months ended 31 December 2009 amounted to approximately HK\$5,938,000, representing a decrease of approximately 83.6% as compared to amount reported in the corresponding period in 2008.
- Loss attributable to owners of the Company amounted to approximately HK\$15,776,000 for the six months ended 31 December 2009.
- Loss per share amounted to HK0.87 cent for the six months ended 31 December 2009.
- The Board did not recommend the payment of a dividend for the six months ended 31 December 2009.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

The board of directors (the “Board”) of Inno-Tech Holdings Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 December 2009, together with comparative figures for the three months and six months ended 31 December 2008 as follows:

	Notes	Unaudited Three months ended		Unaudited Six months ended	
		31 December		31 December	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	3	4,939	8,790	5,938	36,284
Cost of sales		(4,279)	(7,354)	(4,940)	(31,178)
Gross profit		660	1,436	998	5,106
Other revenue		6,090	154	13,547	359
Marketing and promotion expenses		(5,044)	(1,565)	(5,743)	(3,528)
Administrative expenses		(14,338)	(15,168)	(23,804)	(25,624)
Finance costs		(1,679)	(595)	(2,693)	(1,137)
Share of losses of associates and jointly controlled entities		1,587	—	2,318	—
Deemed loss on disposal of associates		(754)	—	(754)	—
(Loss) before tax	4	(13,478)	(15,738)	(16,131)	(24,824)
Income tax expense	5	—	—	—	—
(Loss) for the period		(13,478)	(15,738)	(16,131)	(24,824)
Other comprehensive income (loss)					
Exchange difference arising on translation of foreign operations		108	—	108	77
Total comprehensive (loss) for the period		(13,370)	(15,738)	(16,023)	(24,747)
(Loss) for the period attributable to:					
Owners of the Company		(13,123)	(15,738)	(15,776)	(24,824)
Non-controlling interests		(355)	—	(355)	—
		(13,478)	(15,738)	(16,131)	(24,824)
Total comprehensive (loss) attributable to:					
Owners of the Company		(13,015)	(15,738)	(15,668)	(24,747)
Non-controlling interests		(355)	—	(355)	—
		(13,370)	(15,738)	(16,023)	(24,747)
(Loss) per share					
— Basic	6(a)	(0.98) cent	(1.08) cents	(0.87) cent	(1.82) cents
— Diluted	6(b)	N/A	N/A	N/A	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December 2009*

		Unaudited	Audited
		31 December	30 June
		2009	2009
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	8	24,280	24,866
Construction in progress	9	1,675	—
Intangible assets	10	31,249	36,065
Exploration and evaluation assets	11	101,826	—
Interest in associates	12	44,482	42,908
Interest in a jointly controlled entity	13	—	—
Available-for-sale investment		—	18,900
		<hr/>	<hr/>
Total non-current assets		203,512	122,739
		<hr/>	<hr/>
Current assets			
Inventories	14	1,629	1,449
Accounts receivables	15	7,590	4,133
Prepayments, deposits and other receivables		6,579	5,091
Pledged deposits		5,000	10,000
Cash and cash equivalents		961	735
		<hr/>	<hr/>
Total current assets		21,759	21,408
		<hr/>	<hr/>
Total assets		225,271	144,147
		<hr/> <hr/>	<hr/> <hr/>



		Unaudited	Audited
		31 December	30 June
		2009	2009
<i>Notes</i>		HK\$'000	HK\$'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	18	49,233	42,884
Accumulated losses		(467,108)	(451,332)
Other components of equity		522,098	491,432
		104,223	82,984
Non-controlling interests		(6,350)	—
Total equity		97,873	82,984
Non-current liabilities			
Deferred taxation		7,954	7,954
Convertible notes	19	62,676	20,503
Total non-current liabilities		70,630	28,457
Current liabilities			
Bank loans and overdrafts	16	5,325	11,957
Trade payables, accrued expenses and other payables	17	22,641	10,304
Promissory note		—	6,702
Amounts due to directors		28,802	2,140
Convertible notes	19	—	1,603
Total current liabilities		56,768	32,706
Total liabilities		127,398	61,163
Total equity and liabilities		225,271	144,147



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009

	Share Capital	Share Premium	Employee Compensation Reserve	Convertible Notes Reserve	Contributed Surplus	Capital Redemption Reserve	Exchange Reserve	Investment Revaluation Reserve	Accumulated losses		Non controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2008	24,544	342,866	23,220	–	5,625	43	(245)	–	(60,332)	335,721	–	335,721
Loss for the period	–	–	–	–	–	–	–	–	(24,824)	(24,824)	–	(24,824)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	77	–	–	77	–	77
Total comprehensive loss for the period	–	–	–	–	–	–	77	–	(24,824)	(24,747)	–	(24,747)
Issuance of shares for cash	4,854	46,742	–	–	–	–	–	–	–	51,596	–	51,596
Issuance of shares upon exercise of share options	1,952	12,393	–	–	–	–	–	–	–	14,345	–	14,345
Shares issuance expenses	–	(1,623)	–	–	–	–	–	–	–	(1,623)	–	(1,623)
At 31 December 2008	31,350	400,378	23,220	–	5,625	43	(168)	–	(85,156)	375,292	–	375,292
At 1 July 2009	42,884	441,580	36,398	8,631	5,625	43	(205)	(640)	(451,332)	82,984	–	82,984
Loss for the period	–	–	–	–	–	–	–	–	(15,776)	(15,776)	(355)	(16,131)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	108	–	–	108	–	108
Total comprehensive loss for the period	–	–	–	–	–	–	108	–	(15,776)	(15,668)	(355)	(16,023)
Issuance of shares upon exercise of share options	40	246	(134)	–	–	–	–	–	–	152	–	152
Recognition of equity component of convertible note	–	–	–	15,184	–	–	–	–	–	15,184	–	15,184
Issuance of shares upon conversion of convertible notes	6,309	21,898	–	(6,620)	–	–	–	–	–	21,587	–	21,587
Obtaining control of subsidiary	–	–	–	–	–	–	–	–	–	–	(5,995)	(5,995)
Share issuance expenses	–	(16)	–	–	–	–	–	–	–	(16)	–	(16)
At 31 December 2009	49,233	463,708	36,264	17,195	5,625	43	(97)	(640)	(467,108)	104,223	(6,350)	97,873



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2009

	Unaudited	
	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
Net cash from operating activities	<u>2,129</u>	(82,027)
Net cash used in investing activities	<u>2,880</u>	(35,786)
Net cash generated from financing activities	<u>(4,891)</u>	85,287
Increase/(decrease) in cash and cash equivalents	<u>118</u>	(32,526)
Cash and cash equivalents at the beginning of the period	735	32,379
Effect of foreign exchange rate changes	<u>108</u>	—
Cash and cash equivalent at the end of the period	<u>961</u>	<u>(147)</u>
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	961	1,797
Bank overdrafts	<u>—</u>	(1,944)
Cash and cash equivalents	<u>961</u>	<u>(147)</u>



Notes:

1. Basis of preparation of the accounts

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Group has applied the same principal accounting policies and methods of computation in the unaudited condensed consolidated financial statements as are applied in its annual financial statements for the year ended 30 June 2009. The principal accounting policies adopted are disclosed in the Group's 08/09 Annual Report dated 29 September 2009.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group's 08/09 Annual Report.

2. Principal accounting policies

In the current period, the Group has applied the following new and revised standards, amendments or interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 6	Exploration for and evaluation of mineral resources

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.



Exploration and evaluation assets include the cost of mining and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either other intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

3. Revenue

Revenue represents design of residential intranet, provision of e-property management software application consulting services and trading of home-automation, provision of hotel services and other products in Hong Kong and the People's Republic of China (the "PRC") and sale of dolomite, investment, consultation and mining engineering technical consultation.

**4. (Loss) before income tax**

(Loss) before income tax is arrived at after (crediting) charging:

	Unaudited	
	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Finance cost		
Interest on bank loans and overdrafts wholly repayable within five years	68	1,137
Interest on convertible note	2,340	—
Interest on promissory note	285	—
Auditors' remuneration	412	474
Staff cost	4,764	9,946
Amortisation of intangible assets	6,265	10,183
Depreciation on owned assets	4,074	3,555
Operating lease charges in respect of office premises	656	1,224
Retirement costs	132	152
Write back of impairment loss recognised in respect of trade debtors	(7,392)	—
Write back of impairment loss recognised in respect of loan to a former associate	(6,149)	—
	—————	—————

5. Income tax expense

Provision for Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) of the estimated assessable profits arising in Hong Kong for the period.

(a) *The amount of taxation charged to the unaudited condensed consolidated statement of comprehensive income represents*

	Unaudited	
	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
	—————	—————

(b) *Reconciliation between tax expenses and accounting profit at applicable tax rates*

	Unaudited	
	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
(Loss) before income tax	<u>(16,131)</u>	(24,824)
Calculated at a taxation rate of 16.5% (2008: 16.5%)	<u>(2,662)</u>	(4,096)
Tax effect of deductible temporary differences not recognised	<u>2,662</u>	4,096
	<u>—</u>	—

6. (Loss) per share(a) *Basic (loss) per share*

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to owners of the Company for the three months and six months ended 31 December 2009 of approximately HK\$(13,123,000) and HK\$(15,776,000) respectively (2008: HK\$(15,738,000) and HK\$(24,824,000) respectively) and on the weighted average of 1,337,554,948 and 1,812,799,865 respectively (2008: 1,455,615,202 and 1,362,102,125 respectively) ordinary shares in issue during the period.

(b) *Diluted (loss) per share*

No diluted loss per share has been presented for the three months and six months ended 31 December in 2009 and 2008 as the Company's share options are anti-dilutive.

7. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) *Business segments*

The Group comprises the following main business segments:

Intelligent system: the development and sale of intelligent home electronic application system.

Hotel management: the provision for hotel management services.

Gold mining: sale of dolomite, investment, consultation and mining engineering technical consultation.



	Intelligent system		Hotel management		Gold Mining		Consolidated	
	Unaudited							
	Six months ended							
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	5,938	33,782	–	2,502	–	–	5,938	36,284
Segment results	(10,301)	(9,536)	(5,463)	15,288	(7,969)	–	(23,733)	(24,824)
Share of profit of associates							2,318	–
Deemed loss on disposal of associates							(754)	–
Write back of impairment loss recognised in respect of loan to a former associate							6,149	–
Unallocated expenses							(111)	–
(Loss) for the period							(16,131)	(24,824)

	Intelligent system		Hotel management		Gold Mining		Consolidated	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	63,611	280,544	345	151,221	116,833	–	180,789	431,765
Interest in associates	44,482	2,353	–	–	–	–	44,482	235
Total assets							225,271	434,118
Segment liabilities	(89,344)	(31,441)	(3,055)	(27,385)	(34,997)	–	(127,396)	(58,826)
Total liabilities							(127,396)	(58,826)
Capital expenditure	–	22,203	–	17,166	108,439	–	39,369	39,369

(b) *Geographical segments*

The Group's business is mainly participated in Hong Kong and the People's Republic of China.

Analysis of segment revenue, assets and capital expenditure is as follows:

	Hong Kong		People's Republic of China		Consolidated	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue from external customers	<u>3,755</u>	<u>33,105</u>	<u>2,183</u>	<u>3,179</u>	<u>5,938</u>	<u>36,284</u>
Other segment information:						
Total assets	<u>110,661</u>	<u>282,897</u>	<u>114,610</u>	<u>151,221</u>	<u>225,271</u>	<u>434,118</u>
Capital expenditure	<u>—</u>	<u>24,090</u>	<u>108,439</u>	<u>15,279</u>	<u>108,439</u>	<u>39,369</u>

8. Property, plant and equipment

	Unaudited 2009 HK\$'000
Net book value as at 1 July	24,866
Additions	10
Obtaining control of subsidiary	3,478
Depreciation	<u>(4,074)</u>
Net book value as at 31 December	<u><u>24,280</u></u>

**9. Construction in progress**

	Unaudited 2009 HK\$'000
Obtaining control of subsidiary	663
Additions	1,012
	<hr/>
As at 31 December	1,675
	<hr/> <hr/>

10. Intangible assets

	Unaudited 2009 HK\$'000
Net book value as at 1 July	36,065
Obtaining control of subsidiary	1,449
Amortisation	(6,265)
	<hr/>
Net book value as at 31 December	31,249
	<hr/> <hr/>

11. Exploration and evaluation assets

	Unaudited 2009 HK\$'000
Obtaining control of subsidiary and as at 31 December	101,826
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On 6 May 2009, the Company as the purchaser, Mr. Christopher Wong and Ms. Ou Yang Ying as the vendors entered into a sale and purchase agreement pursuant to which the Company agreed to acquire the entire issued share capital of Dragon Emperor International Limited, ("the DE acquisition").

Dragon Emperor International Limited owned 13.6% of the issued capital of Gaofeng Holding Company Limited ("GF").

On 6 May 2009, the Company as the purchaser, Mr. Christopher Wong as the vendor, entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor 1.8% of the issued share capital of GF, ("the First GF acquisition"). The vendor was an independent third party of the Company.



The First GF acquisition was completed in 15 May 2009 and the Company settled the consideration amounting to approximately HK\$2,864,000 to the vendor by the issuance of zero coupon convertible note in the aggregated principal amount of HK\$2,863,636.

On 9 June 2009, the Company as the purchaser, Mr Christopher Wong as the vendor, entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor 47.2% of the issued share capital of GF, ("the Second GF acquisition").

The Second GF acquisition was completed in 27 October 2009 and the Company settled the consideration for the GF acquisition amounting to approximately HK\$75,000,000 to the vendor by the issuance of zero coupon convertible note with a 2-year maturity.

The principal assets of GF is an 81.5% beneficial interest in the gold mining permit of Zhang Jia Fan Gold Mine gold reserves in the Jiangxi province with validity up to 12 June 2012.

12. Interest in associates

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Share of net assets	44,482	42,908

13. Interest in a jointly controlled entity

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Share of net assets	—	—

**14. Inventories**

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Finished goods	1,576	709
Work in progress	—	345
Raw materials	—	395
Spare parts and consumables	53	—
	<u>1,629</u>	<u>1,449</u>

15. Accounts receivables

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Trade debtors	119,673	125,605
Less: allowance for doubtful debts	(112,412)	(122,219)
	<u>7,261</u>	<u>3,386</u>
Receivable from a jointly controlled entity	188	95
Receivable from associates	141	652
	<u>7,590</u>	<u>4,133</u>

The ageing analysis of trade debtors is as follows:

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Current	7,261	539
Less than 1 month past due	—	79
1 to 3 months past due	—	—
Over 3 months past due	—	2,768
	<u>7,261</u>	<u>3,386</u>

Customers are generally granted with credit terms of 120 days.



16. Bank loans and overdrafts

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Secured bank overdrafts	—	1,957
Secured bank loans	5,325	10,000
	<u>5,325</u>	<u>11,957</u>
Total	5,325	11,957
Within 1 year or on demand	5,325	11,957
After 1 year but within 2 years	—	—
After 2 year but within 5 years	—	—
Over 5 years	—	—
	<u>5,325</u>	<u>11,957</u>

17. Trade payables, accrued expenses and other payables

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Trade payables	6,318	4,323
Amount due to an associate	401	—
Amount due to a related company	1,107	—
Accrued expenses and other payables	14,815	5,981
	<u>22,641</u>	<u>10,304</u>

The ageing analysis of trade payables, accrued expenses and other payables is as follows:

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Within 1 year or on demand	22,641	10,304

**18. Share capital**

	No. of Shares	Unaudited
	'000	2009
		HK\$'000
Authorized:		
Ordinary shares of HK\$0.02 each	5,000,000	100,000
Cancellation of old shares	(5,000,000)	(100,000)
	<u>—</u>	<u>—</u>
Issue of new shares of HK\$0.1 each upon share consolidation of 5 shares to 1 share and as at 31 December 2009	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 1 July 2009	2,144,178	42,884
Issue of shares upon conversion of convertible notes	265,458	5,309
Issue of shares upon exercise of share option	<u>2,000</u>	<u>40</u>
	2,411,636	48,233
Cancellation of old shares	<u>(2,411,636)</u>	<u>(48,233)</u>
	<u>—</u>	<u>—</u>
Issue of new shares of HK\$0.1 each upon share consolidation of 5 shares to 1 share	482,327	48,233
Issue of shares upon conversion of convertible notes	<u>10,000</u>	<u>1,000</u>
As at 31 December 2009	<u>492,327</u>	<u>49,233</u>

19. Convertible notes

	Unaudited
	2009
	HK\$'000
Liability component at the beginning of the period	22,106
Issue of convertible notes	59,817
Conversion to ordinary shares	(21,587)
Interest charged	<u>2,340</u>
Liability component at the end of the year/period	62,676
Less: Amount due within one year shown under current liabilities	<u>—</u>
Amount due after one year	<u>62,676</u>



20. Commitments

(a) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Within 1 year	397	785

(b) Capital commitments

Capital commitments outstanding at 31 December 2009 not provided for in the financial statements of the Group were as follows:

	Unaudited	Audited
	31 December	30 June
	2009	2009
	HK\$'000	HK\$'000
Contracted but not provided for:		
Obtaining control of a subsidiary	—	75,000
Investment on joint venture	18,333	18,333
	18,333	93,333

**21. Obtaining control in subsidiary**

As set out in note 11, the Group acquired an aggregate of 62.6% issued share capital of Gaofeng Holding Limited for an aggregate consideration of approximately HK\$77,864,000 and incurred transaction costs of approximately HK\$1,263,000.

The net assets acquired in these transactions are as follows:

	Unaudited
	2009
	HK\$'000
Exploration and evaluation assets	101,826
Property, plant and equipment and construction in progress	4,143
Intangibles	1,449
Trade and other receivables and deposits	8,820
Bank balances and cash	159
Inventories	84
Trade and other payables and accrued expenses	(3,367)
Amount due to directors	(23,954)
	<hr/>
	89,160
Add non-controlling interests	5,995
	<hr/>
Net assets acquired	95,155
	<hr/>
Represented by	
Convertible notes issued	77,864
Investment cost revaluation at fair value	16,036
Transaction costs paid	1,255
	<hr/>
	95,155
	<hr/>
Net cash outflow arising from acquisition	
Expenses incurred for the acquisition	1,255
Bank balances and cash acquired	(159)
	<hr/>
	1,096
	<hr/> <hr/>



DIVIDEND

The Directors did not recommend the payment of a dividend for the six months ended 31 December 2009 (2008: Nil).

BUSINESS REVIEW

The domestic sale of i-Panel and Adbus products and the provision of intranet design for residential communities remained the core business of the Group. The market conditions in the property sector in the PRC has proved to be tough. Various government economic measures to slow down this sector had dampened the business growth and accordingly the sales of the i-Panel and Adbus products which are closely related to the property market have encountered fierce competition. It is anticipated that further economic measures to regulate the boom in the property market in the PRC will continue for at least a year.

The Company invested in the mineral mining business in late 2009. The investment will enable the Group to benefit from the synergy brought about by applying the IT technology and experiences in the management control, exploration and excavation of minerals. It is the intention of the Company to increase investment in the mineral business sector which would help to diversify its business and to improve the financial results of the Group.

Investment in Gold Mining Industry

Reference is made to the announcements of the Company dated 10 June 2009, 30 September 2009 and 6 October 2009 ("**Announcements**") respectively and the circular of the Company dated 11 September 2009 (the "**Circular**"). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Acquisition of 47.2% of the issued share capital of Gaofeng Holding Company Limited was completed on 27 October 2009. Subsequent to the completion of the acquisition, Gaofeng Holding Company Limited is owned as to 60.8% by Dragon Emperor, as to 1.8% by Inno Gold Mine and as to 37.4% by the Vendor. Dragon Emperor and Inno Gold Mine are wholly owned by the Company. Accordingly, Gaofeng Holding Company Limited is beneficially owned as to 62.6% by the Group.

As the approval for the acquisition of 81.5% equity interests in Zhang Jia Fan Gold Mine had been obtained from Jiangxi Commerce Administrative Bureau, Jiu Jiang Gaofeng became interested in 81.5% of Zhang Jia Fan Gold Mine on 9 July 2009. Accordingly, Zhang Jia Fan Gold Mine became a subsidiary of the Company.



FINANCIAL REVIEW

For the six months ended 31 December 2009, the Group's unaudited consolidated revenue amounted to approximately HK\$5,938,000 (2008: HK\$36,284,000).

The Group incurred a net loss of approximately HK\$(15,776,000) for the six months ended 31 December 2009 (2008: net loss HK\$(24,824,000)). Basic loss per share for the six months ended 31 December 2009 was HK(0.87) cent (2008: basic loss per share: HK(1.82) cents).

Liquidity and financial resources

As at 31 December 2009, the net current liabilities of the Group were approximately HK\$35,009,000 (2008: net current assets of HK\$179,203,000). Out of the current assets as at 31 December 2009, approximately HK\$5,961,000 (2008: HK\$11,797,000) were pledged deposits and cash and cash equivalents. The current ratio of the Group as at 31 December 2009 and 31 December 2008 were 38.3% and 710% respectively. As at 31 December 2009, bank borrowings amounted to approximately HK\$5,325,000 (2008: HK\$31,666,000). The net debt (i.e. total bank borrowings less cash and cash equivalent and pledged deposits) as at 31 December 2009 was nil (2008: HK\$21,813,000) and accordingly net debt gearing ratio (i.e. net debt/net assets) as at 31 December 2009 was nil (2008: 5.81%).

Capital Structure

Reference is made to the announcement of the Company dated 2 October 2009 and the circular of the Company dated 14 October 2009. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular. On 12 November 2009, the Company has made the Share Consolidation on the basis of every five (5) issued Shares of HK\$0.02 each will be consolidated into one (1) Share of HK\$0.10 each. As a result, the total issued shares of the Company was consolidated into 482,327,135 Shares.

During the period from 1 July 2009 to 11 November 2009 (before share consolidation), the Company issued 267,457,866 new ordinary shares of which 2,000,000 shares were from exercise of staff options pursuant to the Post-IPO Share Option Scheme and 265,457,866 shares were from the conversion of convertible notes.

During the period from 12 November 2009 (after share consolidation) to 31 December 2009, the Company issued 10,000,000 new ordinary shares which were from the conversion of convertible note.

As at 31 December 2009, the total issued Shares of the Company were 492,327,135 Shares.



Foreign currency risk

During the six months ended 31 December 2009, the majority of the Group's income and expenses was denominated in Hong Kong dollar while an insignificant portion of expenses was denominated in Renminbi. As at 31 December 2009, there were no bank borrowings which were denominated in Renminbi (2008: HK\$21,666,000). The management of the Company is of the opinion that the Group has insignificant exposure to interest rate risk and foreign exchange risk. As a result, the Group had not used any financial instruments for hedging against fluctuation in interest rate nor foreign currencies for the six months ended 31 December 2009.

Charge on group's assets

As at 31 December 2009 bank deposits of HK\$5,000,000 (2008: HK\$10,000,000) have been pledged against banking facilities granted to the Group.

OUTLOOK

During the recent years, there has been a continuous increase in demand in gold consumption in China for domestic and investment purpose. Apart from import, China has excavated and refined approximately 246 tons of gold last year.

With the recent surge in gold price and the continuous anticipation of the rise in gold price in the near future, the Board considers that the gold mining business would be promising. The Group will conduct a more detailed review on the operations of gold mining business with a view to developing a comprehensive corporate strategy to broaden the income stream of the Group. In the long-term, it will explore other business opportunities in mining industry in order to enhance growth.

MATERIAL ACQUISITIONS AND DISPOSALS DURING THE PERIOD AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as the Acquisition mentioned in section "BUSINESS REVIEW" of 47.2% of the issued share capital of HK Gaofeng was completed on 27 October 2009, there were no material acquisitions and disposals of investments by the Group during the six months ended 31 December 2009.

CONVERTIBLE NOTES

On 28 February 2009, the Company issued convertible notes with the principal amount of HK\$43,384,000 as consideration for acquisition of 23.02% issued share capital of Capital Base Holdings Limited. The convertible notes, with maturity date of 28 February 2011, are convertible into Shares at an initial conversion price of HK\$0.319 per Share. During the six months period up to 31 December 2009, an equivalent of HK\$27,506,000 convertible notes have been converted into Ordinary Shares of the Company. The remaining balance of convertible notes with an equivalent amount of HK\$15,878,000 was outstanding as at 31 December 2009.



On 15 May 2009, the Company issued convertible notes with the total principal amount of HK\$16,680,000 for the acquisition of approximately 15.4% issued share capital of Gaofeng Holding Company Limited. The convertible notes, with maturity date of 15 May 2010, are convertible into Shares at an initial conversion price of HK\$0.30 per Share. During the six months period up to 31 December 2009, an equivalent of HK\$16,680,000 convertible notes have been converted into Ordinary Shares of the Company and there was no balance outstanding as at 31 December 2009.

On 27 October 2009, the Company issued convertible notes with the principal amount of HK\$75,000,000 as consideration for acquisition of 47.2% issued share capital of Gaofeng Holding Company Limited. The convertible notes, with maturity date of 27 October 2011, are convertible into Shares at an initial conversion price of HK\$0.69 per Share. During the six months period up to 31 December 2009, an equivalent of HK\$13,800,000 convertible notes have been converted into Ordinary Shares of the Company. The remaining balance of convertible notes with an equivalent amount of HK\$61,200,000 were outstanding as at 31 December 2009.

EMPLOYEES

The number of employees (including Directors) was 46 as at 31 December 2009 (2008: 128), and the total staff costs (including Directors' remuneration) for the six months ended 31 December 2009 was approximately HK\$4,896,000 (2008: HK\$9,946,000). Other benefits provided by the Group to the employees include MPF, medical coverage and share-based payments.



SHARE OPTION SCHEME

(i) Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was adopted on 5 July 2002 and the principal terms of which were set out in the prospectus of the Company dated 30 July 2002 (the "Prospectus"). There were 4,800,000 share options granted to the grantees. Up to 31 December 2009, there were 3,504,000 options under the Pre-IPO Share Option Scheme have been exercised and 336,000 share options have been lapsed. The remaining 960,000 share options under the Pre-IPO Share option Scheme will lapse on 4 July 2012. Details of which were as follows:

		Number of share options					Outstanding as at 31 December 2009	Option period	Exercise price per share
	Date of grant	Outstanding as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period				
Directors	5 July 2002	—	—	—	—	—	5 July 2002 to 4 July 2012	HK\$1.40	
Employees	5 July 2002	960,000	—	—	—	960,000	5 July 2002 to 4 July 2012	HK\$1.40	
Total		960,000	—	—	—	960,000			



(ii) Post-IPO Share Option Scheme

Pursuant to a written resolution passed by the sole shareholder of the Company on 5 July 2002, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section head “Share Option Schemes” in Appendix IV of the Prospectus (“Post-IPO Share Option Scheme”). Up to 31 December 2009, there were 117,346,100 share options granted to the grantees and there were 46,809,612 shares options under the Post-IPO Share Option Scheme exercised and no options has been cancelled. The remaining 70,536,488 share options under the Post-IPO Share Option Scheme will lapse from 5 January 2014 to 30 December 2019. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 31 December 2009	Option period	Exercise price per share
		Outstanding as at 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	23 August 2007	6,944,000	—	—	—	6,944,000	23 August 2007 to 22 August 2017	HK\$3.15
Employees	6 January 2004	2,100	—	—	—	2,100	6 January 2004 to 5 January 2014	HK\$1.10
	20 September 2005	200,000	—	—	—	200,000	20 September 2005 to 19 September 2015	HK\$0.57
	23 August 2007	7,012,000	—	—	—	7,012,000	23 August 2007 to 22 August 2017	HK\$3.15
	9 September 2008	6,169,873	—	—	—	6,169,873	9 September 2008 to 8 September 2018	HK\$0.87
	11 September 2008	4,400,000	—	—	—	4,400,000	11 September 2008 to 10 September 2018	HK\$0.975
	24 Nov 2008	2,780,000	—	—	—	2,780,000	24 Nov 2008 to 23 Nov 2018	HK\$0.35
	16 Dec 2008	5,200,000	—	400,000	—	4,800,000	16 Dec 2008 to 15 Dec 2018	HK\$0.381
	17 Feb 2009	2,400,000	—	—	—	2,400,000	17 Feb 2009 to 16 Feb 2019	HK\$0.495
	29 May 2009	2,400,000	—	—	—	2,400,000	29 May 2009 to 28 May 2019	HK\$0.44
31 Dec 2009	—	33,428,515	—	—	33,428,515	31 Dec 2009 to 30 Dec 2019	HK\$0.225	
Total		37,507,973	33,428,515	400,000	—	70,536,488		



(a) Directors' and chief executives' interest in the Company

As at 31 December 2009, the interests or short position of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and Section 347 of the SFO (including interests or short positions which is taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange are as follows:

(i) *Beneficial interest and short position in Shares as at 31 December 2009*

Name of Directors	Personal Interests	Corporate Interests	Aggregate Interests	Percentage of the Company's issued share capital
Ms. Wong Yuen Yee <i>(Notes 1 & 2)</i>	31,006,119	23,985,252	54,991,371	11.17%
Mr. Wong Kwok Sing <i>(Notes 1 & 2)</i>	1,535,700	23,985,252	25,520,952	5.18%
Mr. Wong Yao Wing, Robert <i>(Note 1)</i>	29,014,119	18,872,400	47,886,519	9.73%
Mr. Lam Shiu San <i>(Note 1)</i>	1,203,700	18,872,400	20,076,100	4.08%
Mr. Cheng King Hung <i>(Note 3)</i>	40,000	100,000	140,000	0.03%

Notes:

- The 18,872,400 Shares are held by Multiturn Trading Limited, which is beneficially owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San, respectively. Accordingly each of Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San is deemed to be interested in the 18,872,400 Shares held by Multiturn Trading Limited under the SFO.
- The 5,112,852 Shares are held by Capital Base Holdings Limited, which is beneficially owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing. Accordingly each of Ms. Wong Yuen Yee and Mr. Wong Kwok Sing is deemed to be interested in the 5,112,852 Shares held by Capital Base Holdings Limited under the SFO.
- Mr. Cheng King Hung is deemed to have an interest in 140,000 Shares, of which 40,000 Shares are held by him and his wife jointly and 100,000 Shares are held by his wife.

(ii) *Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at 31 December 2009*

Name of Directors	Date of grant	No. of shares		Exercise price per share
		attached to the option	Exercisable period	
Ms. Wong Yue Yee	23 August 2007	1,586,000	23 August 2007 to 22 August 2017	HK\$3.15
Mr. Wong Kwok Sing	23 August 2007	1,586,000	23 August 2007 to 22 August 2017	HK\$3.15
Mr. Wong Yao Wing, Robert	23 August 2007	1,586,000	23 August 2007 to 22 August 2017	HK\$3.15
Mr. Lam Shiu San	23 August 2007	1,586,000	23 August 2007 to 22 August 2017	HK\$3.15
Mr. Wong Tak Leung	23 August 2007	200,000	23 August 2007 to 22 August 2017	HK\$3.15
	31 December 2009	100,000	31 December 2009 to 30 December 2019	HK\$0.22
Mr. Lai Ying Sum	23 August 2007	200,000	23 August 2007 to 22 August 2017	HK\$3.15
	31 December 2009	100,000	31 December 2009 to 30 December 2019	HK\$0.22
Mr. Cheng King Hung	23 August 2007	200,000	23 August 2007 to 22 August 2017	HK\$3.15
	31 December 2009	100,000	31 December 2009 to 30 December 2019	HK\$0.22

(iii) *Interests in associated corporation of the Group*

Name of Directors	Name of associated corporation	Approximately percentage of shareholding as at 31 December 2009
Ms. Wong Yuen Yee (Note 1)	Great China Media Holdings Limited	25.16%
Mr. Wong Kwok Sing (Note 1)	Great China Media Holdings Limited	25.16%

Note:

- Great China Media Holdings Limited is 25.16% owned by Capital Base Holdings Limited, which is beneficially owned as to 50% by Ms. Wong Yuen Yee and 50% by Mr. Wong Kwok Sing.



Save as disclosed above, as at 31 December 2009, none of the Directors or their associates as well as the chief executives of the Group had any interests or short positions in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed above, as at 31 December 2009, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other corporation, and neither the Directors and chief executives of the Company, nor any of their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURE ORDINANCE OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Capacity in which the Shares are held	Number of Shares interested	Number of underlying Shares interested	Approximately percentage of shareholding
Multiturn Trading Limited	Beneficial owner (Note 1)	18,872,400	—	3.83%
Capital Base Holdings Limited	Beneficial owner (Note 2)	5,112,852	49,774,294 (Note 3)	11.15%
Wong Chung Pong Christopher	Beneficial owner	10,001,574	75,072,463 (Note 4)	17.28%

Notes:

- Multiturn Trading Limited is owned as to 31.21%, 30.9%, 30.9% and 6.99% by Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu San, respectively, all of whom are executive Directors. Ms. Wong Yuen Yee, Mr. Wong Kwok Sing, Mr. Wong Yao Wing, Robert and Mr. Lam Shiu Saw are also directors of Multiturn Trading Limited.



2. Capital Base Holdings Limited is beneficially owned as to 50% by Ms. Wong Yuen Yee and as to 50% by Mr. Wong Kwok Sing. Ms. Wong Yuen Yee and Mr. Wong Kwok Sing are also directors of Capital Base Holdings Limited.
3. On 28 February 2009, the Company issued convertible notes with the principal amount of HK\$43,384,000 as consideration for acquisition of 23.02% issued share capital of Capital Base Holdings Limited. The convertible notes, with maturity date of 28 February 2011, are convertible into Shares at an initial conversion price of HK\$0.319 per Share. During the six months period up to 31 December 2009, an equivalent of HK\$27,506,000 convertible notes has been converted into Ordinary Shares of the Company. The remaining balance of convertible notes with an equivalent amount of HK\$15,878,000 was outstanding as at 31 December 2009.
4. On 27 October 2009, the Company issued convertible notes with the principal amount of HK\$75,000,000 to Mr. Wong Chung Pong Christopher as consideration for acquisition of 47.2% issued share capital of Gaofeng Holding Company Limited. The convertible notes, with maturity date of 27 October 2011, are convertible into Shares at an initial conversion price of HK\$0.69 per Share. During the six months period up to 31 December 2009, an equivalent of HK\$13,800,000 convertible notes has been converted into Ordinary Shares of the Company. The remaining balance of convertible notes with an equivalent amount of HK\$61,200,000 (ie: 88,695,652 new shares of the Company may be issued pursuant thereto as at 31 December 2009) was outstanding as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

None of the directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the Code for dealing in securities of the Company by the Directors. All Directors confirmed that they complied with the required standards as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period.

CONTINGENT LIABILITIES

The Company and a subsidiary of the Group are defendants in a legal action involving the alleged default payment for one of the installment payments to the plaintiff. The said subsidiary of the Group had acquired certain intellectual property in 2004 with consideration payable by quarterly installments and the Company is a guarantor.

The plaintiff is claiming for the amount of HK\$2,550,000, being the full remaining balances of the consideration payable to the plaintiff in June 2006, together with interest thereon and cost. The Group settled the disputed installment payment as well as the subsequent installments which were due for repayment from time to time. The remaining balance of the consideration payable of HK\$50,000 to the plaintiff as at 31 December 2009 had already been included in the Group's consolidated balance sheet.

The directors of the Company, based on legal advice, consider that the action will remain pending for a while but it can be successfully defended and therefore no further provision will be required.

Save as discussed above, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes that establishment and implementation of good corporate governance standards helps the group to achieve its corporate objectives and fulfill the expectations of shareholders and stakeholders effectively. Therefore, the Board of Directors ("the Board") of the Company, with effect from 1 April 2005 has fully applied the principles and complied with the requirements of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 to the GEM Listing Rules:

- 1) Due to practical reasons, 14 days advance notifications have not been given to all meetings of the board. Reasonable notifications have been given in respect of those meetings of the board where it is not practicable to give 14 days advance notification. The board will use its best endeavours to give 14 days advance notifications of board meeting to the extend practicable. (Code Provisions A.1.1 and 1.1.3);



- 2) As at the date of this report, we have no formal guidelines for employees dealings in securities (Code Provision A.5.4) although a formal guideline has been adopted for directors. Actions will be taken by the board to formalize the circumstances under which employees can deal in the shares of the Company before end of the current financial year;
- 3) Actions have yet taken to review the internal control systems of the Group. The Board plans to engage an external auditor to undertake the review before the end of the current financial year and to take appropriate course of action in this regard based on the recommendation of the external auditor (Code Provision C.2.1); and
- 4) No formal schedule of matters reserved to the Board and those delegated to the management has been adopted by the Group although there are guidelines for the responsibilities and duties to members of the board and members of the managements taking up different position. The Board has delegated its Human Resources Department to prepare the formal schedule for the approval of the board before the end of the current financial year (Code Provision D.1.2).

AUDIT COMMITTEE

The Company established an audit committee on 5 July 2002 with terms of reference in compliance with Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises Mr. Wong Tak Leung, Charles, Mr. Lai Ying Sum and Mr. Cheng King Hung who are the independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's unaudited results for the six months ended 31 December 2009 have been reviewed by the audit committee, which is of the opinion that the audited consolidated financial statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements in Hong Kong and that adequate disclosures have been made.

By order of the Board
Wong Yuen Yee
Chairman

Hong Kong, 11 February 2010

As at the date of this report, the directors of the Company are:

Executive Directors:

Ms. Wong Yuen Yee (*Chairman*)
Mr. Wong Yao Wing, Robert (*Deputy Chairman*)
Mr. Wong Kwok Sing
Mr. Lam Shiu San

Independent Non-Executive Directors:

Mr. Wong Tak Leung, Charles
Mr. Lai Ying Sum
Mr. Cheng King Hung